OMNICOM GROUP INC
Form 10-K
February 23, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR FISCAL YEAR ENDED DECEMBER 31, 2010

Commission File Number: 1-10551

OMNICOM GROUP INC.

(Exact name of registrant as specified in its charter)

New York	13-1514814
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
437 Madison Avenue, New York, NY	10022
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: (212) 415-3600

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.15 Par Value	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding twelve months (or for such shorter periods that the registrant was required to submit and post such files).

Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ¡ No

Yes ¨ No x

The aggregate market value of the voting and non-voting common stock held by non-affiliates as of June 30, 2010 was $10,317,000,000.

As of February 15, 2011, 284,035,000 shares of Omnicom Common Stock, $.15 par value, were outstanding.

Certain portions of Omnicom s definitive proxy statement relating to its annual meeting of shareholders scheduled to be held on May 24, 2011 are incorporated by reference into Part III of this report.

OMNICOM GROUP INC.

ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2010

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* The information regarding Executive Officers of the Registrant is included in Part I, Item 1, Business. Additional information called for by Items 10, 11, 12, 13 and 14, to the extent not included in this document, is incorporated herein by reference to the information to be included under the captions Corporate Governance, Transactions with Related Persons, Executive Compensation and Stock Ownership in our definitive proxy statement, which is expected to be filed by April 14, 2011.

Forward Looking Statements

Certain of the statements in this Annual Report on Form 10-K constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, from time to time, we or our representatives have made or may make forward-looking statements, orally or in writing. These statements relate to future events or future financial performance and involve known and unknown risks and other factors that may cause our actual or our industry s results, levels of activity or achievement to be materially different from those expressed or implied by any forward-looking statements. These risks and uncertainties, including those resulting from specific factors identified under the captions Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations, include, but are not limited to, our future financial position and results of operations, future global economic conditions and conditions in the credit markets, losses on media purchases and production costs incurred on behalf of clients, reductions in client spending and/or a slowdown in client payments, competitive factors, changes in client communication requirements, managing conflicts of interest, the hiring and retention of personnel, maintaining a highly skilled workforce, our ability to attract new clients and retain existing clients, reliance on information technology systems, changes in government regulations impacting our advertising and marketing strategies, risks associated with assumptions we make in connection with our critical accounting estimates, legal proceedings, settlements, investigations and claims, and our international operations, which are subject to the risks of currency fluctuations and foreign exchange controls. In some cases, forward-looking statements can be identified by terminology such as may, will, could, would, should, expect, plan, anticipate, intend, believe, es potential or continue or the negative of those terms or other comparable terminology. These statements are our present expectations. Actual events or results may differ. We undertake no obligation to update or revise any forward-looking statement, except as required by law.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports are available free of charge in the Investor Relations section of our website at www.omnicomgroup.com, as soon as is reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission, or the SEC. The information found on our website is not part of this or any other report we file with or furnish to the SEC. Any document that we file with or furnish to the SEC may also be read and copied at the SEC s Public Reference Room located at Room 1580, 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings are also available at the SEC s website at www.sec.gov and at the offices of the New York Stock Exchange.

PART I

Introduction

This report is both our 2010 annual report to shareholders and our 2010 Annual Report on Form 10-K required under the federal securities laws.

We are a strategic holding company, providing professional services to clients through multiple agencies operating in all major markets around the world. Our companies provide advertising, marketing and corporate communications services. The terms Omnicom, we, our and us each refer to Omnicom Group Inc. and our subsidiaries unless the context indicates otherwise.

Item 1. Business

Our Business: Omnicom, a strategic holding company, was formed in 1986 by the merger of several leading advertising, marketing and corporate communications companies. We are one of the world s largest advertising, marketing and corporate communications companies and we operate in a highly competitive industry. The proliferation of media channels, including the rapid development of interactive technologies and mediums, along with their integration within all offerings, has fragmented consumer audiences targeted by our clients. These developments make it increasingly more difficult for marketers to reach their target audiences in a cost-effective way, causing them to turn to marketing service providers such as Omnicom for a customized mix of advertising and marketing communications services designed to make the best use of their total marketing expenditures.

Our agencies operate in all major markets around the world and provide a comprehensive range of services which we group into four fundamental disciplines: traditional media advertising; customer relationship management (CRM); public relations; and specialty communications. The services included in these disciplines are:

advertising
brand consultancy
corporate social responsibility consulting
crisis communications
custom publishing
database management
digital and interactive marketing
direct marketing
entertainment marketing
environmental design
experiential marketing
field marketing
financial / corporate business-to-business advertising
graphic arts
healthcare communications
instore design
investor relations
marketing research
media planning and buying
mobile marketing services
multi-cultural marketing
non-profit marketing
organizational communications
package design
product placement
promotional marketing
public affairs
public relations
recruitment communications
reputation consulting
retail marketing
search engine marketing
social media marketing
sports and event marketing

Although the medium used to reach a client s target audience may differ across each of these disciplines, we develop and deliver the marketing message in a similar way by providing client-specific consulting services.

Our business model was built and continues to evolve around our clients. While our agencies operate under different names and frame their ideas in different disciplines, we organize our services around our clients. The fundamental premise of our business is to deliver our services and allocate our resources based on the specific requirements of our clients. As clients increase their demands for marketing effectiveness and efficiency, they have tended to consolidate their business with larger, multi-disciplinary agencies or integrated groups of agencies. Accordingly, our business model demands that multiple agencies within Omnicom collaborate in formal and informal virtual networks that cut across internal organizational structures to execute against our clients specific marketing requirements. We believe that this organizational philosophy, and our ability to execute it, differentiates us from our competitors.

Our agency networks and our virtual networks provide us with the ability to integrate services across all disciplines and geographies. This means that the delivery of our services can, and does, take place across agencies, networks and geographic regions simultaneously. Further, we believe that our virtual network strategy facilitates better integration of services required by the demands of the marketplace for advertising and marketing communications services. Our over-arching business strategy is to continue to use our virtual networks to grow our business relationships with our clients.

The various components of our business and material factors that affected us in 2010 are discussed in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations , or MD&A, of this report. None of our acquisitions or dispositions in 2010, 2009 or 2008 were material to our consolidated financial position or results of operations. For information concerning our acquisitions, see Note 4 to our consolidated financial statements.

Geographic Regions and Segments: Our revenue is almost evenly divided between our U.S. and non-U.S. operations. For financial information concerning domestic and foreign operations and segment reporting, see our MD&A and Note 7 to our consolidated financial statements.

Our Clients: Consistent with our fundamental business strategy, our agencies serve similar clients, in similar industries, and in many cases the same clients, across a variety of geographic regions and locations. Our clients participate in virtually every industry sector of the global economy. Furthermore, in many cases, our agencies or networks serve different brand and/or product groups within the same clients served by our other agencies or networks. For example, our largest client was served by more than 100 of our agencies in 2010 and represented 3.0% of our 2010 revenue. No other client accounted for more than 2.4% of our 2010 revenue. Our top 100 clients ranked by revenue were each served, on average, by more than 50 of our agencies in 2010 and collectively represented 50.6% of our 2010 revenue.

Our Employees: At December 31, 2010, we employed approximately 65,500 people. We are not party to any significant collective bargaining agreements. The skill-sets of our workforce across our agencies and within each discipline are similar. Common to all is the ability to understand a client s brand or product and their selling proposition and to develop a unique message to communicate the value of the brand or product to the client s target audience. Recognizing the importance of this core competency, we have established tailored training and education programs for our service professionals around this competency. See our MD&A for a discussion of the effect of salary and related costs on our results of operations.

Executive Officers of the Registrant: Our executive officers as of February 15, 2011 are:

Name	Position	Age
Bruce Crawford	Chairman of the Board	82
John D. Wren	President and Chief Executive Officer	58
Randall J. Weisenburger	Executive Vice President and Chief Financial Officer	52
Peter Mead	Vice Chairman	71
Philip J. Angelastro	Senior Vice President Finance and Controller	46
Michael J. O Brien	Senior Vice President, General Counsel and Secretary	49
Dennis Hewitt	Treasurer	66

Each executive officer has held his present position for at least five years.

Additional information about our directors and executive officers appears under the captions Corporate Governance, Transactions with Related Persons, Election of Directors, Executive Compensation and Stock Ownership in our definitive proxy statement, which is expected to be filed by April 14, 2011.

Item 1A. Risk Factors

Future global economic conditions could adversely impact our business and results of operations and financial position.

In 2010, our revenue increased 7.0% compared to 2009. The increase reflects an improvement in business conditions in our industry over 2009. However, the pace of the global economic recovery is uneven and a future economic downturn could renew reductions in client spending levels and adversely affect our results of operations and financial position. We will continue to closely monitor economic conditions, client spending and other factors, and will take actions available to us to improve our cost structure and manage working capital. In the current environment there can be no assurance of the effects of future economic conditions, client spending patterns, client creditworthiness and other developments on us and whether or to what extent our efforts to respond will be effective.

Conditions in the credit markets could adversely impact our results of operations and financial position.

Turmoil in the credit markets or a contraction in the availability of credit would make it more difficult for businesses to meet their capital requirements and could lead clients to change their financial relationship with their vendors, including us. If that were to occur, we may require additional financing to fund our day-to-day working capital requirements. There is no assurance that such additional financing will be available on favorable terms, if at all. This could materially adversely impact our results of operations and financial position.

In a period of severe economic downturn, the risk of a material loss related to media purchases and production costs incurred on behalf of our clients could significantly increase.

In the normal course of business, we often enter into contractual commitments with media providers and agreements with production companies on behalf of our clients at levels that substantially exceed our revenue in connection with the services provided. Many of our agencies purchase media for our clients and act as an agent for a disclosed principal. The media commitments are included in accounts payable when the media services are delivered by the media providers. While operating practices vary by country, media type and media vendor, in the United States and certain foreign markets many of our contracts with media providers specify that if our client defaults on its payment obligation then we are not liable to the media providers under the legal theory of sequential liability until we have been paid for the media by our client. In other countries, we manage our risk in other ways, including evaluating and monitoring our clients creditworthiness and, in many cases, requiring credit insurance or payment in advance. Further, in cases where we are committed to a media purchase and it becomes apparent that a client may be unable to pay for the media, options are potentially available to us in the marketplace in addition to those cited above to mitigate the potential loss, including negotiating with media providers. In addition, our agencies incur production costs on behalf of clients. We usually act as an agent for a disclosed principal in the procurement of these services. We manage the risk of payment default by the client by having the production companies be subject to sequential liability or requiring at least partial payment in advance. However, the agreements entered into, as well as the production costs incurred are unique to each client. The risk of a material loss could significantly increase in periods of severe economic downturn. Such a loss could have a material adverse effect on our results of operations and financial position.

A reduction in client spending and a slowdown in client payments could have a material adverse effect on our working capital.

The recent global recession caused a reduction in the volume of client spending and/or a delay in the time our clients took to pay us, negatively affecting our working capital. Renewed global economic uncertainty could cause our clients to take the same or additional actions that would negatively affect our working capital. Consequently, we could need to obtain additional financing in such circumstances. There is no assurance that such additional financing would be available on favorable terms, if at all. Such circumstances could therefore have a material adverse effect on our results of operations and financial position.

Companies periodically review and change their advertising, marketing and corporate communications services business models and relationships. If we are unable to remain competitive or retain key clients, our business and financial results may be materially adversely affected.

The markets in which we participate are highly competitive. Key competitive considerations for retaining existing business and winning new business include our ability to develop marketing solutions that meet client needs, the quality and effectiveness of the services we offer and our ability to efficiently serve clients, particularly large international clients, on a broad geographic basis. While many of our client relationships are long-standing, from time to time clients put their advertising, marketing and corporate communications services business up for competitive review. We have won and lost accounts in the past as a result of these reviews. To the extent that we are not able to remain competitive or retain key clients, our revenue may be adversely affected, which could have a material adverse effect on our results of operations and financial position.

The success of our acquiring and retaining clients depends on our ability to avoid and manage conflicts of interest arising out of other client relationships, retention of key personnel and maintaining a highly skilled workforce.

Our ability to retain existing clients and to attract new clients may, in some cases, be limited by clients perceptions of, or policies concerning, conflicts of interest arising out of other client relationships. If we are unable to maintain multiple agencies to manage multiple client relationships and avoid potential conflicts of interests, our business, results of operations and financial position may be materially adversely affected.

Our employees are our most important assets. Our ability to attract and retain key personnel is an important aspect of our competitiveness. If we are unable to attract and retain key personnel, our ability to provide our services in the manner our customers have come to expect may be adversely affected, which could harm our reputation and result in a loss of clients, which could have a material adverse effect on our results of operations and financial position.

Further, as the evolution of our business continues to become integrated with the digital marketplace, we are increasingly dependent on the technical skills of a highly skilled workforce and their ability to maintain the skills necessary to serve our clients.

We received approximately 50.6% of our revenue from our 100 largest clients in 2010, and the loss of several of these clients could adversely impact our results of operations and financial position.

Our clients generally are able to reduce advertising and marketing spending or cancel projects at any time on short notice for any reason. It is possible that our clients could reduce spending in comparison with historical patterns, or they could reduce future spending. A significant reduction in advertising and marketing spending by our largest clients, or the loss of several of our largest clients, if not replaced by new clients or an increase in business from existing clients, would adversely affect our revenue and could have a material adverse effect on our results of operations and financial position.

We rely extensively on information technology systems.

We rely on information technology systems and infrastructure to process transactions, summarize results and manage our business, including maintaining client marketing and advertising strategies. The size and complexity of our technology systems make them potentially vulnerable to breakdown, malicious intrusion and random attack. Likewise, data privacy breaches by employees and others with or without permitted access to our systems may pose a risk that sensitive data may be exposed to unauthorized persons or to the public. While we have invested heavily in the protection of data and information technology systems, there can be no assurance that our efforts will prevent breakdowns or breaches in our systems that could adversely affect our reputation or business.

Government regulations and consumer advocates may limit the scope of the content of our services, which could affect our ability to meet our clients   needs, which could have a material adverse effect on our results of operations and financial position.

Government agencies and consumer groups directly or indirectly affect or attempt to affect the scope, content and manner of presentation of advertising, marketing and corporate communications services, through regulation or other governmental action. Any limitation on the scope of the content of our services could affect our ability to meet our clients needs, which could have a material adverse effect on our results of operations and financial position. In addition, there has been an increasing tendency on the part of businesses to resort to the judicial system to challenge advertising practices. Such claims by businesses or governmental agencies could have a material adverse effect on our results of operations and financial position in the future.

Government or legislative action may limit the tax deductibility of advertising expenditures by certain industries or for certain products and services. These actions could cause our clients affected by such actions to reduce their spending on our services which could have a material adverse effect on our results of operations and financial position.

Laws and regulations, related to user privacy, use of personal information and internet tracking technologies have been proposed or enacted in the United States and certain international markets. These laws and regulations could affect the acceptance of the internet as an advertising medium. These actions could affect our business and reduce demand for certain of our services, which could have a material adverse effect on our results of operations and financial position.

We are a global service business and face certain risks of doing business abroad, including political instability and foreign exchange controls, which could have a material adverse effect on our results of operations and financial position.

We face a number of risks normally associated with global services businesses. The operational and financial performance of our businesses are typically tied to overall economic and regional market conditions, competition for client assignments and talented staff, new business wins and losses and the risks associated with extensive international operations. The risks of doing business abroad, including political instability and foreign exchange controls, do not affect domestic-focused firms. These risks could have a material adverse affect on our results of operations and financial position. For financial information on our operations by geographic area, see Note 7 to our consolidated financial statements.

We are exposed to risks from operating in developing countries.

We conduct business in numerous developing countries around the world. Some of the risks associated with conducting business in developing countries include: slower payment of invoices; nationalization; social, political and economic instability; and currency repatriation restrictions. In addition, commercial laws in some developing countries can be vague, inconsistently administered and retroactively applied. If we are deemed not to be in compliance with applicable laws in developing countries where we conduct business, our prospects and business in those countries could be harmed, which could then have a material adverse impact on our results of operations and financial position.

Holders of our convertible notes have the right to cause us to repurchase up to $660 million of notes, in whole or in part, at specified dates in the future.

In August 2011, $252.7 million of our Convertible Notes due July 31, 2032 (2032 Notes) may be put back to us for repurchase and in June 2013, $406.7 million of our Convertible Notes due July 1, 2038 (2038 Notes) may be put back to us for repurchase. If we are required to satisfy one or more puts to repurchase our convertible notes, we expect to have sufficient available cash and unused credit commitments to fund the puts. We also believe that we will have sufficient capacity under our credit facility to meet our cash requirements for our normal business operations after any put. However, in the event that our credit facility or our cash flow from operations were to decrease, we may need to seek additional funding. There is no assurance that such additional financing would be available on comparable terms, if at all.

Downgrades of our debt credit ratings could adversely affect us.

Standard and Poor s Rating Service currently rates our long-term debt BBB+, Moody s Investors Service rates our long-term debt Baa1 and Fitch Ratings rates our long-term debt A-. Our short-term debt ratings are A2, P2 and F2 by the respective agencies. Our outstanding senior notes, convertible notes and bank credit facility do not contain provisions that require acceleration of cash payment upon a ratings downgrade. The interest rates and fees on our bank credit facility, however, would increase if our long-term debt credit rating is downgraded.

Additionally, our access to the capital markets could be adversely affected by downgrades in our short-term or long-term debt credit ratings. Furthermore, the 2032 Notes and 2038 Notes are convertible at specified ratios if, in the case of the 2032 Notes, our long-term debt credit ratings are downgraded to BBB or lower by Standard & Poor s Ratings Service, or Baa3 or lower by Moody s Investors Service or in the case of the 2038 Notes to BBB- or lower by S&P, and Ba1 or lower by Moody s. These events would not, however, result in an adjustment of the number of shares issuable upon conversion and would not accelerate the holder s right to cause us to repurchase the notes.

We may be unsuccessful in evaluating material risks involved in completed and future acquisitions.

We regularly evaluate potential acquisition of businesses that we believe are complementary to our businesses and client needs. As part of the evaluation, we conduct business, legal and financial due diligence with the goal of identifying and evaluating material risks involved in any particular transaction. Despite our efforts, we may be unsuccessful in ascertaining or evaluating all such risks. As a result, we might not realize the intended advantages of any given acquisition. If we fail to identify certain material risks from one or more acquisitions, our results of operations and financial position could be adversely affected.

Goodwill may become impaired.

In accordance with U.S. generally accepted accounting principles, or U.S. GAAP or GAAP, we have recorded a significant amount of goodwill in our consolidated financial statements resulting from our acquisition activities, which principally represents the specialized know-how of the workforce at the acquired businesses. As discussed in Note 3 to our consolidated financial statements, we test the carrying value of goodwill for impairment at least annually at the end of the second quarter and whenever events or circumstances indicate the carrying value may not be recoverable. The estimates and assumptions about future results of operations and cash flows made in connection with the impairment testing could differ from future actual results of operations and cash flows. While we have concluded, for each year presented in our financial statements included in this report, that our goodwill is not impaired, future events could cause us to conclude that the asset values associated with a given operation may become impaired. Any resulting non-cash impairment loss could have a material adverse effect on our results of operations and financial position.

We could be affected by future laws or regulations enacted in response to climate change concerns and other actions.

Although our businesses may not be directly affected by current cap and trade laws and current requirements to reduce emissions, we could be in the future. However, we could also be affected indirectly by increased prices for goods or services provided to us by companies that are directly affected by these laws and regulations and pass their increased costs through to their customers. Additionally, to comply with potential future changes in environmental laws and regulations, we may need to incur additional costs. At this time, we cannot estimate what impact such costs may have on our results of operations and financial position.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We maintain office space in major cities around the world. The facility requirements of our businesses are similar across geographic regions and disciplines. Our facilities are primarily used for office and administrative purposes by our employees in performing professional services and we believe that our facilities are in suitable and well-maintained condition for our current operations. Our principal corporate offices are at 437 Madison Avenue, New York, New York and One East Weaver Street, Greenwich, Connecticut. We also maintain executive offices in London, England; Shanghai, China; and Singapore.

We lease substantially all our office facilities under operating leases that expire at various dates. Leases are generally denominated in the local currency of the operating business. Office base rent expense was $358.1 million in 2010, $377.1 million in 2009 and $386.9 million in 2008 that reflects a reduction of rent received from non-cancelable third-party subleases of $16.3 million, $18.9 million and $22.8 million, respectively.

Future minimum office base rent under terms of non-cancelable operating leases, reduced by rent receivable from existing non-cancelable third-party subleases, are (dollars in millions):

	Net Rent
2011	$330.9
2012	278.4
2013	232.4
2014	189.0
2015	149.8
Thereafter	446.9

See Note 16 to our consolidated financial statements for a discussion of our lease commitments and our MD&A for the impact of leases on our operating expenses.

Item 3. Legal Proceedings

We are involved from time to time in various legal proceedings in the ordinary course of business. We do not presently expect that these proceedings will have a material adverse effect on our results of operations or financial position.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the New York Stock Exchange under the symbol OMC. On February 15, 2011, there were 2,783 holders of record of our common stock.

The range of quarterly high and low sales prices reported on the New York Stock Exchange Composite Tape for our common stock and the dividends paid per share for 2010 and 2009 were:

	High	Low	Dividends Paid Per Share
2010			
First Quarter	$ 40.29	$ 34.54	$ 0.20
Second Quarter	44.08	34.18	0.20
Third Quarter	40.00	33.50	0.20
Fourth Quarter	47.88	38.54	0.20
2009			
First Quarter	$ 28.80	$ 20.09	$ 0.15
Second Quarter	33.21	23.01	0.15
Third Quarter	38.49	29.71	0.15
Fourth Quarter	39.99	34.24	0.15

Stock repurchase activity during the three months ended December 31, 2010 was:

Period:	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 2010	4,234,823	$ 42.42		
November 2010	11,636,726	45.56		
December 2010	417,637	46.06		
Total	16,289,186	$ 44.76		

During the quarter ended December 31, 2010, 15,338,000 shares of our common stock were purchased in the open market for general corporate purposes and 951,186 shares of our common stock were withheld from employees to satisfy estimated tax obligations primarily related to stock option exercises. The value of the common stock withheld was based upon the closing price of our common stock on the exercise dates.

There were no unregistered sales of equity securities during the three months ended December 31, 2010.

Item 6. Selected Financial Data

The following selected financial data should be read in conjunction with our consolidated financial statements and related notes that begin on page F-1 of this report, as well as our MD&A.

	(Dollars in millions, except per share amounts)				
For the years ended December 31:	**2010**	**2009**	**2008**	**2007**	**2006**
Revenue	$ 12,542.5	$ 11,720.7	$ 13,359.9	$ 12,694.0	$ 11,376.9
Operating Income	1,460.2	1,374.9	1,689.4	1,659.1	1,483.5
Net Income - Omnicom Group Inc	827.7	793.0	1,000.3	975.7	857.9
Net Income Per Common Share - Omnicom Group Inc.:					
Basic	2.74	2.54	3.17	2.95	2.47
Diluted	2.70	2.53	3.14	2.93	2.46
Dividends Declared Per Common Share	0.80	0.60	0.60	0.575	0.50

	(Dollars in millions)				
At December 31:	**2010**	**2009**	**2008**	**2007**	**2006**
Cash and cash equivalents and short-term investments	$ 2,300.0	$ 1,594.8	$ 1,112.4	$ 1,841.0	$ 1,928.8
Total Assets	19,566.1	17,920.7	17,318.4	19,271.7	17,804.7
Long-Term Obligations:					
Long-term notes payable	2,465.1	1,494.6	1,012.8	1,013.2	1,013.2
Convertible debt	659.5	726.0	2,041.5	2,041.5	2,041.5
Long-term liabilities	576.5	462.0	444.4	481.2	305.8
Total Shareholders Equity	3,580.5	4,194.8	3,522.8	4,091.7	3,871.3

In June 2007, pursuant to a two-for-one stock split which was effected in the form of a 100% stock dividend, each shareholder received one additional share of Omnicom Group Inc. common stock for each share held. In connection with the stock split, dividends declared per common share and Net Income per Common Share - Omnicom Group Inc. amounts for 2007 and 2006 have been adjusted to reflect the stock split.

Effective January 1, 2009, we retrospectively adopted new accounting standards included in the FASB Accounting Standards Codification, or ASC, Topic 260, Earnings Per Share, with respect to allocating earnings to participating securities in applying the two-class method of calculating earnings per share. Net Income Per Common Share -Omnicom Group Inc. amounts for 2008, 2007 and 2006 have been restated in accordance with the new accounting standard.

Additionally, effective January 1, 2009, we retrospectively adopted new accounting standards included in ASC Topic 470, Debt, with respect to our convertible debt to separately account for the liability and equity components. On adoption, we recorded additional interest expense, net of income taxes, of $6.1 million in 2006. This amount represents the amount of the fair value of embedded conversion options. Net Income - Omnicom Group Inc. and Net Income per Common Share - Omnicom Group Inc. for 2006 has been restated to reflect the adoption of the new accounting standard.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

Executive Summary

We are a strategic holding company. We provide professional services to clients through multiple agencies around the world. On a global, pan-regional and local basis, our agencies provide these services in the following disciplines: traditional media advertising, CRM, public relations and specialty communications. Our business model was built and continues to evolve around our clients. While our agencies operate under different names and frame their ideas in different disciplines, we organize our services around our clients. The fundamental premise of our business is that our clients specific requirements should be the central focus in how we deliver our services and allocate our resources. This client-centric business model results in multiple agencies collaborating in formal and informal virtual networks that cut across internal organizational structures to deliver consistent brand messages for a specific client and execute against each of our client s specific marketing requirements. We continually seek to grow our business with our existing clients by maintaining our client-centric approach, as well as expanding our existing business relationships into new markets and with new clients. In addition, we pursue selective acquisitions of complementary businesses with strong, entrepreneurial management teams that typically currently serve or have the ability to serve our existing client base.

As one of the world s leading advertising, marketing and corporate communications companies, we operate in all major markets of the global economy. We have a large and diverse client base. Our largest client represented 3.0% of our 2010 revenue and no other client accounted for more than 2.4% of our 2010 revenue. Our top 100 clients accounted for 50.6% of our 2010 revenue. Our business is spread across a significant number of industry sectors with no one industry comprising more than 16% of our 2010 revenue from our 1,000 largest clients. Although our revenue is generally balanced between the U.S. and international markets and we have a large and diverse client base, we are not immune to general economic downturns.

In 2010, our revenue increased 7.0% compared to 2009. The increase reflects an improvement in business conditions in our industry over 2009. Revenue increased across all our disciplines driven by economic recovery in the U.S. and continued growth in the emerging markets in Asia and Latin America. In Europe, we experienced a moderate increase in revenue in the U.K., while economic recovery has lagged in our Euro markets. We will continue to closely monitor economic conditions, client spending and other factors and, in response, take actions available to us to improve our cost structure and manage working capital. In the current economic environment, there can be no assurance as to the effects on us of future economic conditions, client spending patterns, client creditworthiness and other developments and whether and to what extent our efforts to respond will be effective.

Certain business trends have had a positive impact on our business and industry. These trends include our clients increasingly expanding the focus of their brand strategies from national markets to pan-regional and global markets and integrating traditional and non-traditional marketing channels, as well as utilizing interactive technologies and new media outlets. Additionally, in an effort to gain greater efficiency and effectiveness from their total marketing budgets, clients are increasingly requiring greater coordination of marketing activities and concentrating these activities with a smaller number of service providers. We believe these trends have benefitted our business in the past and, over the medium and long term, will continue to provide a competitive advantage to us.

In 2011, barring unforeseen events and excluding foreign exchange impacts, we expect our revenues to increase as a result of continuing increases in client spending and the contribution of several small acquisitions we completed in the fourth quarter of 2010. We will continue to identify acquisition candidates that will build upon the core capabilities of our strategic business platforms, expand our operations in the emerging markets and enhance our capabilities to leverage new technologies. In early February 2011, we acquired a controlling interest in the Clemenger Group, our affiliate in Australia and New Zealand. The additional 27% acquired brings our ownership up to almost 75%. In connection with this transaction, in the first quarter of 2011 we expect to record a non-cash gain of approximately

$120 million resulting from the remeasurement of the carrying value of our equity interest to the acquisition date fair value. We believe that this acquisition will help us further develop our combined businesses throughout the Asia Pacific region.

We have an objective of improving margins to 2007 levels. In connection with achieving this goal, we are in the process of a strategic review of our businesses that is focused on improving our strategic position and operations. As part of this process, we are evaluating our agencies to identify non-core and underperforming businesses that need to be repositioned or considered for disposal. We expect that these actions will reduce revenue in the range of $250 million to $300 million on an annual basis. We believe that on an annual basis, the reduction in revenue will approximately equal the increase in revenue from our recent acquisitions. We are also pursuing numerous operational consolidations to further drive efficiencies in our back office functions. As a result of the actions to be taken in connection with our strategic review, in the first quarter of 2011 we expect to incur charges ranging from $90 million to $110 million for severance, lease termination and asset impairment costs.

Given our size and breadth, we manage our business by monitoring several financial indicators. The key indicators that we analyze are revenue and operating expenses.

We analyze revenue growth by reviewing the components and mix of the growth, including growth by major geographic location, growth by discipline, growth from currency fluctuations, growth from acquisitions and growth from our largest clients, and growth by client industry group.

In recent years, our revenue has been divided almost evenly between our domestic and international operations. In 2010, our revenue increased 7.0%, of which 0.1% was related to changes in foreign exchange rates, 0.5% was related to acquisitions, net of dispositions and 6.4% was from organic growth. Across our geographic markets revenue increased 8.2% in the U.S., 4.3% in the U.K. and 18.7% in our other markets, primarily Asia and Latin America, while in our Euro markets revenue decreased 3.6%. The increase in revenue in 2010 compared to 2009, in our four fundamental disciplines was: traditional media advertising, 7.1%; CRM, 6.5%; public relations, 6.5% and specialty communications, 9.2%.

We measure operating expenses in two distinct cost categories: salary and service costs, and office and general expenses. Salary and service costs are primarily comprised of employee compensation and related costs and direct service costs. Office and general expenses are primarily comprised of rent and occupancy costs, technology costs, depreciation and amortization and other overhead expenses. Each of our agencies requires professionals with a skill set that is similar across our disciplines. At the core of this skill set is the ability to understand a client s brand or product and their selling proposition, and to develop a unique message to communicate the value of the brand or product to the client s target audience. The facility requirements of our agencies are similar across geographic regions and disciplines, and their technology requirements are generally limited to personal computers, servers and off-the-shelf software.

Because we are a service business, we monitor salary and service costs and office and general costs as a percentage of revenue. Salary and service costs tend to fluctuate in conjunction with changes in revenue. Salary and service costs as a percentage of revenue increased to 73.5% in 2010 compared to 72.1% in 2009. The increase in salary and service costs resulted primarily from a combination of a change in our business mix and increased compensation costs, primarily related to freelance labor and incentive compensation, partially offset by a decrease in severance costs. Office and general expenses are less directly linked to changes in our revenue than salary and service costs. Office and general expenses decreased to 14.9% of revenue in 2010 compared to 16.2% in 2009.

Net income - Omnicom Group Inc. in 2010 increased $34.7 million or 4.4% to $827.7 million from $793.0 million in 2009. The period-over-period increase in net income - Omnicom Group Inc. is principally due to the factors described above, partially offset by an increase in pre-tax net interest expense for 2010 of $9.1 million. Diluted net income per common share - Omnicom Group Inc. increased 6.7 % to $2.70 in 2010, as compared to $2.53 in the prior year period. The year-over-year increase in diluted net income per common share - Omnicom Group Inc. is due to the factors described above as well as the impact of the reduction in our weighted average common shares outstanding. This reduction was the result of our purchases of our common stock during 2010, net of stock option exercise and shares issued under our employee stock purchase plan.

Critical Accounting Policies and New Accounting Standards

Critical Accounting Policies

We have prepared the following summary of our critical accounting policies to assist the reader in better understanding our financial statements and the related discussion in this MD&A. We believe that the following policies may involve a higher degree of judgment and complexity in their application and represent the critical accounting policies used in the preparation of our financial statements. Readers are encouraged to consider this summary together with our consolidated financial statements and the related notes, including our discussion in Note 3 setting forth our accounting policies in greater detail, for a more complete understanding of critical accounting policies discussed below.

Estimates: Our financial statements are prepared in conformity with U.S. GAAP and require us to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities including valuation allowances for receivables and deferred tax assets, accruals for incentive compensation and the disclosure of contingent liabilities at the date of the financial statements, as well as the reported amounts of revenue and expense during the reporting period. A fair value approach is used in testing goodwill for impairment and when evaluating our cost-method investments to determine if an other-than-temporary impairment has occurred.

Acquisitions and Goodwill: We have made and expect to continue to make selective acquisitions. In making acquisitions, the price we pay is based on an evaluation of various factors, including specialized know-how, reputation, competitive position, geographic coverage and service offerings, as well as our experience and judgment.

Business combinations are accounted for using the acquisition method and, accordingly, the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquired business are recorded at their acquisition date fair values. In circumstances where control is obtained and less than 100% of an entity is acquired, we record 100% of the goodwill acquired. Acquisition related costs, including advisory, legal, accounting, valuation and other costs are expensed as incurred. Any liability for contingent purchase price obligations (earn-outs) are recorded at the acquisition date at fair value. Changes in the fair value of the earn-out liability are recorded in our results of operations. The results of operations of acquired businesses are included in our results of operations from the acquisition date. In 2010, we completed seven acquisitions of new subsidiaries and made additional investments in businesses in which we had an existing minority ownership interest. Total goodwill additions from these transactions were $123.6 million. In addition and unrelated to the acquisitions completed in 2010, we made or accrued contingent purchase price payments of $117.2 million, which were included in goodwill.

A summary of our contingent purchase price obligations for acquisitions completed prior to January 1, 2009 is discussed in the Liquidity and Capital Resources section of this MD&A. The amount of contingent purchase price obligations is based on future performance. Contingent purchase price obligations for acquisitions completed prior to January 1, 2009 are accrued, in accordance with U.S. GAAP, when the contingency is resolved and payment is certain.

Our acquisition strategy is focused on acquiring the expertise of an assembled workforce in order to continue to build upon the core capabilities of our various strategic business platforms and agency brands through the expansion of their geographic reach and/or their service capabilities to better serve our clients. Additional key factors we consider include the competitive position and specialized know-how of the acquisition targets. Accordingly, as is typical in most service businesses, a substantial portion of the intangible asset value we acquire is the know-how of the people, which is treated as part of goodwill and is not valued separately. For each acquisition, we undertake a detailed review to identify other intangible assets and a valuation is performed for all such identified assets. A significant portion of the identifiable intangible assets acquired is derived from customer relationships, including the related customer contracts, as well as trade names. In valuing these identified intangible assets, we typically use an income approach and consider comparable market participant measurements. The expected benefits of our acquisitions are typically shared across multiple agencies as they work together to integrate the acquired agency into our client service strategy.

We evaluate goodwill for impairment at least annually at the end of the second quarter of the year. We identified our regional reporting units as components of our operating segments, which are our five agency networks. The regional reporting units of each agency network are responsible for the agencies in their region. They report to the segment managers and facilitate the administrative and logistical requirements of our client-centric strategy for delivering services to clients in their regions. We have concluded that for each of our operating segments, their regional reporting units had similar economic characteristics and should be aggregated for purposes of testing goodwill for impairment at the operating segment level. Our conclusion was based on a detailed analysis of the aggregation criteria set forth in the ASC. Consistent with our fundamental business strategy, the agencies within our regional reporting units serve similar clients in similar industries, and in many cases the same clients. In addition, the agencies within our regional reporting units have similar economic characteristics, as the main economic components of each agency are employee compensation and related costs and direct service costs associated with providing professional services and office and general costs, which include rent and occupancy costs, technology costs that are generally limited to purchased computers, servers and off-the-shelf software and other overhead costs. Finally, the expected benefits of our acquisitions are typically shared across multiple agencies and regions as they work together to integrate the acquired agency into our client service strategy.

Estimates and Assumptions - Goodwill Impairment Review: We use the following valuation methodologies to determine the fair value of our reporting units: (1) the income approach which utilizes discounted expected future cash flows, (2) comparative market participant multiples for EBITDA (earnings before interest expense, income taxes, depreciation and amortization), and (3) when available, consideration of recent and similar purchase acquisition transactions.

In applying the income approach, we use estimates to derive the expected discounted cash flows (DCF) for each reporting unit that serves as the basis of our valuation. These estimates and assumptions include revenue growth and operating margin, EBITDA, tax rates, capital expenditures, weighted average cost of capital and related discount rates and expected long-term cash flow growth rates. All these estimates and assumptions are affected by conditions specific to our businesses, economic conditions related to the industry in which we operate, as well as conditions in the global economy. The assumptions which have the most significant effect on our valuations derived using a DCF methodology are: (1) the expected long-term growth rate of our reporting units cash flows and (2) the weighted average cost of capital (WACC).

The range of assumptions used for the long-term growth rate and WACC in our evaluation as of June 30, 2010 and 2009 were:

	June 30	
	2010	**2009**
Long-Term Growth Rate	4.0%	4.5%
WACC	10.3% - 10.9%	11.1% - 11.8%

Long-term growth rates represent our estimate of a conservative long-term growth rate for the industry in which we operate and the global economy. The average historical revenue growth rate of our reporting units for the past nine years was approximately 7.7% and the average nominal GDP growth of the countries comprising our major markets that account for substantially all of our revenue (Average Nominal GDP) was 4.9% over the same period. We considered this history when determining the long-term growth rates to be used in our annual impairment test at June 30, 2010. We believe marketing expenditures over the long term have a high correlation to GDP. We also believe, based on our historical performance, that our long-term growth rate will exceed Average Nominal GDP growth. For our annual test as of June 30, 2010, beginning in 2016, we used an estimated long-term growth rate of 4.0% for all of our reporting units.

When performing our annual impairment test as of June 30, 2010 and estimating the future cash flows of all of our reporting units, we also considered the changes in the economic outlook in mid-year 2010. We experienced an increase in our revenue in the first half of 2010 of 6.1%, of which 2.0% was due to foreign exchange movements. This led us to estimate growth rates for the subsequent five years that reflect current business conditions and increase gradually throughout this period.

The risk-adjusted discount rate used in our DCF analysis represents the estimated WACC for each of our reporting units. The WACC is comprised of (1) a risk-free rate of return, (2) a business risk index ascribed to us and to companies in our industry comparable to our reporting units based on a market derived variable that measures the volatility of the share price of equity securities relative to the volatility of the overall equity market, (3) an equity risk premium that is based on the rate of return on equity of publicly traded companies with business characteristics comparable to our reporting units, and (4) the current after-tax market rate of return on debt of companies with business characteristics similar to our reporting units, each weighted by the relative market value percentages of our equity and debt. The reduction in the WACC used at June 30, 2010 compared to June 30, 2009 was primarily the result of a decrease in the long-term U.S. Treasury bond, the risk-free rate of return used.

Sensitivity Analysis and Conclusion - Goodwill Impairment Review: Consistent with our fundamental business strategy, the agencies within our reporting units serve similar clients in similar industries, and in many cases the same clients. In addition, the agencies within our reporting units have similar economic characteristics, as the main economic components of each agency are employee compensation and related costs and direct service costs associated with providing professional services, and office and general costs, which include rent and occupancy costs, technology costs and other overhead costs.

Our reporting units do vary in size with respect to revenue and the amount of debt allocated to them. These differences drive the variations in fair value among our reporting units. In addition, these differences as well as differences in book value, including goodwill, cause the variations in the amount by which fair value exceeds book value among the reporting units. The reporting unit goodwill balances and debt vary by reporting unit primarily because our three legacy agency networks were acquired at the formation of Omnicom and were accounted for as a pooling of interests that did not result in any additional debt or goodwill being recorded. The remaining two agency networks, including Reporting Unit 5, were built through a combination of internal growth and acquisitions that were accounted for as purchase transactions and as a result, they have a relatively higher amount of goodwill and debt.

The decline in the fair value of our reporting units that would need to occur in order to fail step one of our goodwill impairment test (the Threshold) is as follows (dollars in millions):

	June 30, 2010		June 30, 2009	
Reporting Units	**Goodwill**	**Threshold**	**Goodwill**	**Threshold**
1 and 2	$1,792.6	>60%	$1,769.9	>55%
3 and 4	$2,112.6	>70%	$2,099.2	>70%
5	$3,565.7	>55%	$3,577.5	>50%

Based on the analysis described above, we concluded that our goodwill was not impaired as of June 30, 2010 because the fair values of each of our reporting units were substantially in excess of their respective net book values. Notwithstanding our belief that the assumptions we used in our impairment testing for our WACC and long-term growth rate are reasonable, we performed a sensitivity analysis for each of our reporting units. The results of this sensitivity analysis for our annual impairment test as of June 30, 2010 revealed that if our WACC was increased by 1%, and/or our long-term growth rate was decreased by 1%, the fair value of each of our reporting units would continue to be substantially in excess of their respective net book values and pass step one of the impairment test.

We plan to continue to perform our impairment test at the end of the second quarter of each year unless certain events or circumstances trigger the need for an interim evaluation for impairment. The estimates we use in testing our goodwill for impairment do not constitute forecasts or projections of future results of operations, but rather are estimates and assumptions based on historical results and assessments of macroeconomic factors affecting our reporting units. We believe that our estimates and assumptions are reasonable, but they are subject to change from period to period. Actual results of operations and other factors will likely differ from the estimates used in our discounted cash flow valuation and it is possible that differences could be material. A change in the estimates we use could result in a decline in the estimated fair value of one or more of our reporting units from the amounts derived as of our latest valuation and could cause us to fail step one of our goodwill impairment test if the estimated fair value for the reporting unit is less than the carrying value of the net assets of the reporting unit, including its goodwill. A large decline in estimated fair value of a reporting unit could result in a non-cash impairment charge and may have an adverse effect on our results of operations and financial position.

Additional information about acquisitions and goodwill appears in Notes 3 and 5 to our consolidated financial statements.

Revenue Recognition: We recognize revenue in accordance with ASC Topic 605, Revenue Recognition, and applicable SEC Staff Accounting Bulletins. Substantially all of our revenue is derived from fees for services or a rate per hour or equivalent basis. Revenue is realized when the service is performed in accordance with terms of each client arrangement, upon completion of the earnings process and when collection is reasonably assured. We record revenue net of sales, use and value added taxes. Certain of our businesses earn a portion of their revenue as commissions based upon performance in accordance with client arrangements. These principles are the foundation of our revenue recognition policy and apply to all client arrangements in each of our service disciplines traditional media advertising, CRM, public relations and specialty communications.

More specifically, our policy requires the following key elements to be satisfied prior to recognizing revenue: persuasive evidence of an arrangement must exist; the sales price must be fixed or determinable; delivery, performance and acceptance must be in accordance with the client arrangement; and collection is reasonably assured. Because the services that we provide across each of our disciplines are similar and delivered to clients in similar ways, all of the key elements in revenue recognition apply to client arrangements in each of our four disciplines.

In the majority of our businesses, we act as an agent and record revenue equal to the net amount retained, when the fee or commission is earned. Although we may bear credit risk in respect of these activities, the arrangements with our clients are such that we act as an agent on their behalf. In these cases, costs incurred with external suppliers are excluded from our revenue. In certain arrangements, we act as principal and we contract directly with suppliers for media payments and third-party production costs and are responsible for payment. In these arrangements, revenue is recorded at the gross amount billed since revenue has been earned for the sale of goods or services.

A portion of our client contractual arrangements include performance incentive provisions designed to link a portion of our revenue to our performance relative to both quantitative and qualitative goals. We recognize this portion of revenue when the specific quantitative goals are achieved, or when our performance against qualitative goals is determined by our clients. Additional information about our revenue recognition policy appears in Note 3 to our consolidated financial statements.

Employee Share-Based Compensation: Employee share-based compensation is measured at the grant date fair value based on the fair value of the award. We use the Black-Scholes option valuation model to determine the fair value of share-based compensation awards. This valuation model uses several assumptions and estimates such as expected life, rate of risk free interest, volatility and dividend yield. If different assumptions and estimates were used to determine the fair value, our actual results of operations and cash flows would likely differ from the estimates used and it is possible that differences and changes could be material. Additional information about these assumptions and estimates appears in Note 3 to our consolidated financial statements.

Share-based employee compensation expense for the years ended December 31, 2010, 2009 and 2008 was $69.3 million, $78.6 million and $59.3 million, respectively. Information about our specific awards and stock plans can be found in Note 10 to our consolidated financial statements.

New Accounting Standards

Additional information regarding new accounting guidance can be found in Note 2 to our consolidated financial statements. Note 3 to our consolidated financial statements provides a summary of our significant accounting policies.

Financial Results from Operations - 2010 Compared with 2009

	Year Ended December 31, (Dollars in millions, except per share amounts)			
	2010		2009	
Revenue	$	12,542.5	$	11,720.7
Operating Expenses:				
Salary and service costs		9,214.2		8,450.6
Office and general expenses		1,868.1		1,895.2
		11,082.3		10,345.8
Operating Income		1,460.2		1,374.9
Interest Expense		134.7		122.2
Interest Income		24.9		21.5
Income Before Income Taxes and Income from Equity Method Investments		1,350.4		1,274.2
Income Tax Expense		460.2		433.6
Income from Equity Method Investments		33.5		30.8
Net Income		923.7		871.4
Less: Net Income Attributed to Noncontrolling Interests		96.0		78.4
Net Income - Omnicom Group Inc	$	827.7	$	793.0
Net Income Per Common Share - Omnicom Group Inc.:				
Basic	$	2.74	$	2.54
Diluted		2.70		2.53
Dividends Declared Per Common Share	$	0.80	$	0.60

Revenue: Our 2010 revenue increased 7.0% to $12,542.5 million from $11,720.7 million in 2009. Foreign exchange impacts increased revenue by $17.1 million, acquisitions net of dispositions increased revenue by $55.6 million and organic growth increased revenue by $749.1 million. The components of total 2010 revenue changes in the U.S. (domestic) and the remainder of the world (international) were (dollars in millions):

Total	Domestic